

Fredericksburg Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2011

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# Fredericksburg Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### Board of Education

Richard Haugen	President	2011
Susan Underwood	Vice President	2011
Mark Wendland	Board Member	2013
Brad Kerr	Board Member	2013
Candace Ackley	Board Member	2011

### School Officials

Rick Pederson	Superintendent	2011
Theresa Schulz	District Secretary/Treasurer	2011
John Tremaine	Attorney	2011

Independent Auditor's Report

To the Board of Education of  
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Fredericksburg Community School District, Fredericksburg, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

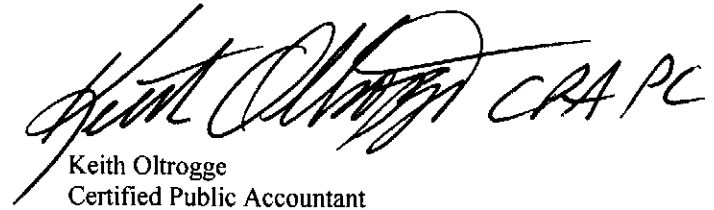
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Fredericksburg Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 22, 2012 on my consideration of the Fredericksburg Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fredericksburg Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

February 22, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fredericksburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,510,910 in fiscal 2010 to \$3,394,772 in fiscal 2011, while General Fund expenditures increased from \$3,635,116 in fiscal 2010 to \$3,765,486 in fiscal 2011. The District's General Fund balance decreased from \$1,130,797 in fiscal 2010 to \$755,485 in fiscal 2011, a 49.7% decrease.
- The decrease in General Fund revenues was attributable to a decrease in revenues from local revenue sources. The increase in expenditures was due to an increase in overall expenditures.
- The District's solvency ratio has decreased from 27.9% at June 30, 2010 to 15.6% at June 30, 2011. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fredericksburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fredericksburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fredericksburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Fredericksburg Community School District Annual Financial Report**

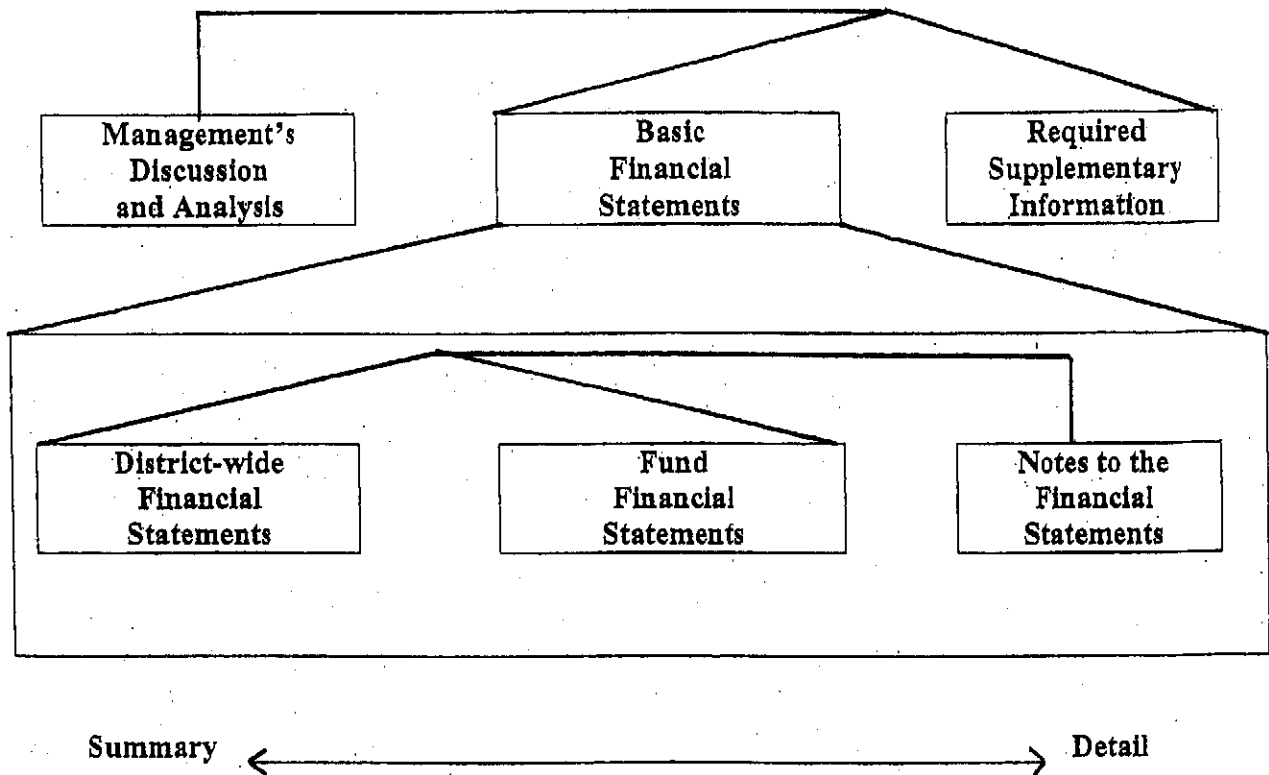


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

**Figure A-3**  
**Condensed Statement of Net Assets**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$6,421	\$8,211	\$51	\$35	\$6,472	\$8,246	-21.5%
Capital assets	3,627	1,581	13	15	3,640	1,596	228.1%
Total assets	\$10,048	\$9,792	\$64	\$50	\$10,112	\$9,842	2.7%
Long-term liabilities	\$3,913	\$3,941	\$-	\$-	\$3,913	\$3,941	-0.7%
Other liabilities	2,138	1,675	3	1	2,141	1,676	27.7%
Total liabilities	\$6,051	\$5,616	\$3	\$1	\$6,054	\$5,617	7.8%
Net assets:							
Invested in capital assets, net of related debt	-\$263	\$1,581	\$13	\$16	-\$250	\$1,597	-15.7%
Restricted	3,735	4,899	-	-	3,735	4,899	-23.8%
Unrestricted	525	-2,304	48	33	573	-2,271	25.2%
Total net assets	\$3,997	\$4,176	\$61	\$49	\$4,058	\$4,225	-4.0%

The District's combined net assets decreased by nearly 4%, or approximately \$167,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$1,164,000, or 23.8% over the prior year primarily due to the reclassification of net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$2,844,000, or 25.2% also due to the reclassification of Capital Projects fund balances.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

**Figure A-4**  
**Changes in of Net Assets**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$1,012	\$1,114	\$85	\$77	\$1,097	\$1,191	-7.6%
Operating grants, contributions and restricted interest	508	572	75	73	583	645	-9.6%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	4.6%
General revenues:							
Property tax	1,319	1,261	-	-	1,319	1,261	
Statewide sales, service and use tax	189	178	-	-	189	178	6.2%
Unrestricted state grants	898	792	-	-	898	792	13.4%
Unrestricted investment earnings	39	32	-	-	39	32	21.9%
Other	22	49	-	-	22	49	-55.1%
Total revenues	\$3,987	\$3,998	\$160	\$150	\$4,147	\$4,148	-0.03%
Program expenses:							
Governmental activities:							
Instruction	\$2,771	\$2,684	\$-	\$-	\$2,771	\$2,684	3.2%
Support services	1,108	1,076	-	-	1,108	1,076	3.0%
Non-instructional programs	-	-	148	149	148	149	-0.7%
Other expenses	283	200	-	-	283	200	41.5%
Total expenses	4,162	3,960	\$148	\$149	\$4,310	\$4,109	4.9%
Increase (Decrease) in net assets	-\$175	\$38	\$12	\$1	-\$163	\$39	-417.9%

In fiscal year 2011, property tax and unrestricted state grants account for 55.6% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$4.1 million, of which approximately \$4 million was for governmental activities and less than \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.03% decrease in revenues and a 4.9% increase in expenses. Property tax increased approximately \$58,000. The increase in expenses is related to increases in the negotiated salaries and benefits.

## Governmental Activities

Revenues for governmental activities were \$3,987,022 and expenses were \$4,161,962 for the year ended June 30, 2011. In a difficult budget year, the District used a portion of its reserves to meet its financial obligations.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$2,771	\$2,684	3.1%	\$1,349	\$1,086	19.5%
Support services	1,108	1,076	2.8%	1,010	988	2.2%
Non-instructional programs	-	-	-	-	-	-
Other expenses	283	200	29.3%	283	200	29.3%
Totals	\$4,162	\$3,960	4.9%	\$2,642	\$2,274	14.0%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,096,845.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$583,062.
- The net cost of governmental activities was financed with \$1,508,222 in property and other taxes and \$897,368 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$160,189, representing a 6.6% increase from the prior years, while expenses were \$147,915 a 0.7% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Fredericksburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,321,874, well below last year's ending fund balances of \$6,549,664. The primary reason for the decrease in combined fund balances in fiscal 2011 is due to the expenditures for facilities acquisitions.

## Governmental Fund Highlights

The District's General Fund's deteriorating financial position is due to a decrease in local revenue and an increase in overall expenditures.

The General Fund balance decreased from \$1,130,797 to \$755,485, due to a decrease in local and federal revenue sources.

The Capital Projects Fund balance decreased from \$4,894,516 in 2010 to \$2,912,451 in 2011 due to the expenditure for the middle school construction project.

## Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$48,736 at June 30, 2010 to \$61,010 at June 30, 2011, representing an increase of approximately 25.2%.

## BUDGETARY HIGHLIGHTS

The District's total revenues were \$581,367 less than total budgeted revenues, a variance of less than 14.0%. Even though state revenue increased in fiscal 2011, a reduction in local resources caused the total amount received to be less than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Also, the capital project did not progress as anticipated, so less was spent in fiscal year 2011 than was planned.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$3,627,148, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 229% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$146,067.

The original cost of the District's capital assets was \$5,891,833. Governmental funds account for \$5,862,467, with the remainder of \$29,366 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category, due to the new construction of the middle school.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
(Expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$18	\$18	\$-	\$-	\$18	\$18	-
Construction in Process	2,019	97	-	-	2,019	97	2,081.4%
Buildings and improvements	1,325	1,250	-	-	1,325	1,250	6%
Improvements other than buildings	21	26	-	-	21	26	-19.2%
Furniture and equipment	244	190	13	15	257	205	25.4%
Totals	\$3,627	\$1,581	\$13	\$15	\$3,640	\$1,596	228.1%

## Long-Term Debt

At June 30, 2011, the District had \$3,890,000 in total long-term debt outstanding. This represents no change from last year because only interest was due. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$7.6 million.

**Figure A-7**  
**Outstanding Long-term Obligations**  
(Expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$2,190	\$2,190	0%
Revenue bonds	1,700	1,700	0%
Total	\$3,890	\$3,890	0%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

The District is continuing a whole grade sharing agreement with Sumner Community School District that began with the 2004-2005 school year to help deal with declining enrollment.

As the community's economy stabilizes, it is anticipated that the District's tax base and enrollment will remain steady.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Theresa Schulz, District Secretary, Fredericksburg Community School District, Fredericksburg IA 50630.

## **Basic Financial Statements**

## Fredericksburg Community School District

## Statement of Net Assets

June 30, 2011

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 5,004,705	\$ 43,871	\$ 5,048,576
Receivables:			
Property tax:			
Delinquent	12,295	-	12,295
Succeeding year	1,202,654	-	1,202,654
Accounts	17,779	1,489	19,268
Due from other governments	183,674	-	183,674
Inventories	-	5,799	5,799
Capital assets, net of accumulated depreciation	3,627,148	13,014	3,640,162
<b>Total Assets</b>	<b>\$ 10,048,255</b>	<b>\$ 64,173</b>	<b>\$ 10,112,428</b>
<b>Liabilities</b>			
Accounts payable	\$ 426,471	\$ 341	\$ 426,812
Salaries and benefits payable	284,863	-	284,863
Deferred revenue-succeeding year property tax	1,202,654	-	1,202,654
Deferred revenue-other	185,245	2,822	188,067
Accrued interest	38,776	-	38,776
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	85,000	-	85,000
Revenue bonds	50,000	-	50,000
Portion due after one year:			
General obligation bonds	2,105,000	-	2,105,000
Revenue bonds	1,650,000	-	1,650,000
Net OPEB liability	23,452	-	23,452
<b>Total Liabilities</b>	<b>\$ 6,051,461</b>	<b>\$ 3,163</b>	<b>\$ 6,054,624</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ -262,852	\$ 13,014	\$ -249,838
Restricted for:			
Categorical funding	167,923	-	167,923
Management levy purposes	277,030	-	277,030
Physical plant and equipment	425,114	-	425,114
Student activities	113,955	-	113,955
Capital projects	2,487,337	-	2,487,337
Debt service	123,237	-	123,237
Debt service -- sinking	139,716	-	139,716
Unrestricted	525,334	47,996	573,330
<b>Total Net Assets</b>	<b>\$ 3,996,794</b>	<b>\$ 61,010</b>	<b>\$ 4,057,804</b>

See notes to financial statements.



**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2011**

<b>Functions/Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 2,118,436	\$ 797,097	\$ 427,413	\$ -
Special instruction	354,545	47,671	-	-
Other instruction	298,317	72,642	77,550	-
	<u>\$ 2,771,298</u>	<u>\$ 917,410</u>	<u>\$ 504,963</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 93,100	\$ -	\$ 1,976	\$ -
Instructional staff services	83,029	-	-	-
Administration services	465,822	65,002	-	-
Operation and maintenance of plant services	261,337	575	-	-
Transportation services	205,016	29,196	951	-
	<u>\$ 1,108,304</u>	<u>\$ 94,773</u>	<u>\$ 2,927</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 9,888	\$ -	\$ -	\$ -
Long-term debt interest	154,513	-	-	-
AEA flow-through	117,959	-	-	-
	<u>\$ 282,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 4,161,962</u>	<u>\$ 1,012,183</u>	<u>\$ 507,890</u>	<u>\$ -</u>
<b>Business Type Activities:</b>				
Non-Instructional Programs:				
Food service operations	147,915	84,662	75,172	-
<b>Total</b>	<u><u>\$ 4,309,877</u></u>	<u><u>\$ 1,096,845</u></u>	<u><u>\$ 583,062</u></u>	<u><u>\$ -</u></u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-893,926	\$	-	\$ -893,926
	-306,874		-	-306,874
	-148,125		-	-148,125
\$	-1,348,925	\$	-	\$ -1,348,925
\$	-91,124	\$	-	\$ -91,124
	-83,029		-	-83,029
	-400,820		-	-400,820
	-260,762		-	-260,762
	-174,869		-	-174,869
\$	-1,010,604	\$	-	\$ -1,010,604
\$	-9,888	\$	-	\$ -9,888
	-154,513		-	-154,513
	-117,959		-	-117,959
\$	-282,360	\$	-	\$ -282,360
\$	-2,641,889	\$	-	\$ -2,641,889
-		11,919		11,919
\$	-2,641,889	\$	11,919	\$ -2,629,970

**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2011**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

**General Revenues:**

Property Tax Levied For:  
    General purposes  
    Capital outlay  
    Debt service  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net assets before other sources

Other Sources:

    Sale of assets

Change in net assets

Net assets beginning of year

Prior period adjustment

Adjusted net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	1,111,531	\$ -	\$ 1,111,531
	124,276	-	124,276
	83,169	-	83,169
	189,246	-	189,246
	897,368	-	897,368
	39,244	355	39,599
	22,115	-	22,115
\$	2,466,949	\$ 355	\$ 2,467,304
\$	-174,940	\$ 12,274	\$ -162,666
	709	-	709
\$	-174,231	\$ 12,274	\$ -161,957
\$	4,175,758	\$ 48,736	\$ 4,224,494
	-4,733	-	-4,733
\$	4,171,025	\$ 48,736	\$ 4,219,761
\$	3,996,794	\$ 61,010	\$ 4,057,804

## Fredericksburg Community School District

**Balance Sheet**  
**Governmental Funds**

June 30, 2011

	General	Capital Projects	Non-major	Total
<b>Assets</b>				
Cash and Pooled Investments	\$ 1,078,322	\$ 3,272,207	\$ 654,176	\$ 5,004,705
Receivables:				
Property Tax:				
Delinquent	9,839	684	1,772	12,295
Succeeding year	931,694	32,790	238,170	1,202,654
Accounts	17,779	-	-	17,779
Due from other governments	85,862	97,812	-	183,674
<b>Total Assets</b>	<b>\$ 2,123,496</b>	<b>\$ 3,403,493</b>	<b>\$ 894,118</b>	<b>\$ 6,421,107</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 30,856	\$ 393,605	\$ 2,010	\$ 426,471
Salaries and benefits payable	284,863	-	-	284,863
Deferred Revenue:				
Succeeding year property tax	931,694	32,790	238,170	1,202,654
Other	120,598	64,647	-	185,245
<b>Total Liabilities</b>	<b>\$ 1,368,011</b>	<b>\$ 491,042</b>	<b>\$ 240,180</b>	<b>\$ 2,099,233</b>
Fund Balances:				
Restricted for:				
Categorical funding	\$ 167,923	\$ -	\$ -	\$ 167,923
Debt service	-	-	123,237	123,237
Debt service - sinking	-	-	139,716	139,716
Management levy purposes	-	-	277,030	277,030
Student activities	-	-	113,955	113,955
School infrastructure	-	2,487,337	-	2,487,337
Physical plant and equipment	-	425,114	-	425,114
Unassigned	587,562	-	-	587,562
<b>Total Fund Balances</b>	<b>\$ 755,485</b>	<b>\$ 2,912,451</b>	<b>\$ 653,938</b>	<b>\$ 4,321,874</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,123,496</b>	<b>\$ 3,403,493</b>	<b>\$ 894,118</b>	<b>\$ 6,421,107</b>

See notes to financial statements.

## Fredericksburg Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2011

<b>Total fund balances of governmental funds (page 16)</b>	<b>\$ 4,321,874</b>
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,627,148
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-38,776
Long-term liabilities, including bonds and notes payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>-3,913,452</u>
<b>Net assets of governmental activities (page 13)</b>	<b><u>\$ 3,996,794</u></b>

See notes to financial statements.

## Fredericksburg Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2011

	General	Capital Projects	Non-Major	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,021,533	\$ 313,522	\$ 173,167	\$ 1,508,222
Tuition	652,643	-	-	652,643
Other	315,498	23,121	82,281	420,900
Intermediate sources	-	-	-	-
State sources	1,240,125	43	116	1,240,284
Federal sources	164,973	-	-	164,973
Total Revenues	\$ 3,394,772	\$ 336,686	\$ 255,564	\$ 3,987,022
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,027,577	\$ -	\$ 42,219	\$ 2,069,796
Special instruction	390,601	-	-	390,601
Other instruction	239,649	-	57,868	297,517
	\$ 2,657,827	\$ -	\$ 100,087	\$ 2,757,914
Support Services:				
Student services	\$ 93,100	\$ -	\$ -	\$ 93,100
Instructional staff services	82,074	-	-	82,074
Administration services	430,763	-	33,149	463,912
Operation and maintenance of plant services	219,733	-	20,934	240,667
Transportation services	164,030	73,864	8,942	246,836
	\$ 989,700	\$ 73,864	\$ 63,025	\$ 1,126,589
Other Expenditures:				
Facilities acquisition	\$ -	\$ 2,078,581	\$ -	\$ 2,078,581
Long-Term Debt:				
Interest and fiscal charges	-	1,715	128,030	129,745
AEA flow-through	117,959	-	-	117,959
	\$ 117,959	\$ 2,080,296	\$ 128,030	\$ 2,326,285
Total Expenditures	\$ 3,765,486	\$ 2,154,160	\$ 291,142	\$ 6,210,788
Excess (deficiency) of revenue over (under) expenditures	\$ -370,714	\$ -1,817,474	\$ -35,578	\$ -2,223,766
Other financing sources (uses):				
Operating transfers in (out)	\$ -	\$ -165,165	\$ 165,165	\$ -
Sale of assets	135	574	-	709
Total other financing sources (uses)	\$ 135	\$ -164,591	\$ 165,165	\$ 709
Net change in fund balances	\$ -370,579	\$ -1,982,065	\$ 129,587	\$ -2,223,057
Fund balances beginning of year, as restated	\$ 1,130,797	\$ 4,894,516	\$ 524,351	\$ 6,549,664
Prior period adjustment	-4,733	-	-	-4,733
Adjusted fund balances beginning of year, as restated	\$ 1,126,064	\$ 4,894,516	\$ 524,351	\$ 6,544,931
Fund balances end of year	\$ 755,485	\$ 2,912,451	\$ 653,938	\$ 4,321,874

See notes to financial statements.

## Fredericksburg Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2011**

**Net change in fund balances – total governmental funds (page 18)** **\$ -2,223,057**

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 2,189,455	
Depreciation/amortization expense	<u>-143,620</u>	2,045,835

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-24,768

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 39,219	
Other postemployment benefits	<u>-11,460</u>	27,759

**Change in Net Assets of Governmental Activities (page 15)** **\$ -174,231**



## Fredericksburg Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2011

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and investments	
Receivables	\$ 43,871
Inventories	1,489
Capital assets, net of accumulated depreciation	5,799
<b>Total Assets</b>	<u>13,014</u>
	<u>\$ 64,173</u>
<b>Liabilities</b>	
Accounts payable	
Deferred revenue	\$ 341
<b>Total Liabilities</b>	<u>2,822</u>
	<u>\$ 3,163</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	
Unrestricted	\$ 13,014
<b>Total Net Assets</b>	<u>47,996</u>
	<u>\$ 61,010</u>

See notes to financial statements.

**Fredericksburg Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2011**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 84,662
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 60,932
Benefits	8,871
Purchased services	3,407
Supplies	72,258
Depreciation	2,447
Total operating expenses	\$ 147,915
Operating loss	\$ -63,253
Non-operating revenues:	
State sources	\$ 1,508
Federal sources	73,664
Interest Income	355
Total non-operating revenues	\$ 75,527
Increase in net assets	\$ 12,274
Net assets beginning of year	48,736
Net assets end of year	\$ 61,010

See notes to financial statements.

## Fredericksburg Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 85,581
Cash paid to employees for services	-69,803
Cash paid to suppliers for goods or services	-58,474
Net cash used by operating activities	<u>\$ -42,696</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,508
Federal grants received	56,596
Net cash provided by non-capital financing activities	<u>\$ 58,104</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 355</u>
Net increase in cash and cash equivalents	\$ 15,763
Cash and cash equivalents beginning of year	<u>28,108</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 43,871</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -63,253
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,068
Depreciation	2,447
(Increase) in inventories	-124
(Increase) in accounts receivable	-763
Increase in deferred revenue	1,682
Increase in accounts payable	247
Net Cash Used by Operating Activities	<u><u>\$ -42,696</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received \$17,068 of federal commodities.

## Fredericksburg Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship
<b>Assets</b>	
Cash and investments	\$ 8,553
<b>Liabilities</b>	
None	\$ -
<b>Net assets</b>	
Reserved for scholarships	\$ 8,553

See notes to financial statements.

**Fredericksburg Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2011**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,465
Interest income	127
Total additions	<u>\$ 1,592</u>
Deductions:	
Support services:	
Scholarships awarded	<u>\$ 5,565</u>
Change in net assets	\$ -3,973
Net assets beginning of year	<u>12,526</u>
Net Assets End of Year	<u>\$ 8,553</u>

See notes to financial statements.

# Fredericksburg Community School District

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies

The Fredericksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fredericksburg, Iowa and portions of the predominately agricultural territories in Chickasaw, Bremer and Fayette Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Fredericksburg Community School District and the Sumner Community School District have entered into a whole grade sharing agreement.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Fredericksburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Fredericksburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.



Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for support staff corresponding to the current school year, which were paid in July, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 165,165

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,501	\$ -	\$ -	\$ 18,501
Construction in process	96,775	2,018,768	96,775	2,018,768
Total capital assets not being depreciated	115,276	2,018,768	96,775	2,037,269
Capital assets being depreciated:				
Buildings and improvements	\$ 2,533,655	\$ 126,521	\$ -	\$ 2,660,176
Improvements other than buildings	73,726	-	-	73,726
Furniture and equipment	950,355	140,941	-	1,091,296
Total capital assets being depreciated	\$ 3,557,736	\$ 267,462	\$ -	\$ 3,825,198
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,283,792	\$ 51,663	\$ -	\$ 1,335,455
Improvements other than buildings	48,176	4,750	-	52,926
Furniture and equipment	759,731	87,207	-	846,938
Total accumulated depreciation	\$ 2,091,699	\$ 143,620	\$ -	\$ 2,235,319
Total capital assets being depreciated, net	\$ 1,466,037	\$ 123,842	\$ -	\$ 1,589,879
Governmental activities capital assets, net	\$ 1,581,313	\$ 2,142,610	\$ 96,775	\$ 3,627,148

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 32,474	\$ -	\$ 3,108	\$ 29,366
Less accumulated depreciation	17,013	2,447	3,108	16,352
Business type activities capital assets, net	\$ 15,461	\$ -2,447	\$ -	\$ 13,014

Depreciation expense was charged to the following functions:

**Governmental Activities:**

Instruction:

Regular

\$ 88,043

Special

3,018

Other

800

Support services:

Operation and maintenance of plant

19,715

Transportation

32,044

Total Depreciation Expense – governmental activities

\$ 143,620

**Business type activities:**

Food service operations

\$ 2,447

(5) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 2,190,000	\$ -	\$ -	\$ 2,190,000	\$ 85,000
Revenue bonds	1,700,000	-	-	1,700,000	50,000
Early retirement	39,219	-	39,219	-	-
Net OPEB liability	11,992	11,460	-	23,452	-
Total	\$ 3,941,211	\$ 11,460	\$ 39,219	\$ 3,913,452	\$ 135,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employees is equal to the employee's base salary calculated by using the current year regular salary schedule, less the BA base of the salary schedule. The early retirement expenditures for the year ended June 30, 2011 were \$39,219.

General Obligation Capital Note

Details of the District's June 30, 2011 General Obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issued May 1, 2010			
	Interest Rate	Principal	Interest	Total
2012	3.0%	\$85,000	\$83,170	\$168,170
2013	3.0%	85,000	80,620	165,620
2014	3.0%	90,000	78,070	168,070
2015	3.0%	90,000	75,370	165,370
2016	3.0%	95,000	72,670	167,670
2017	3.0%	95,000	69,820	164,820
2018	3.5%	100,000	66,970	166,970
2019	4.0%	105,000	63,470	168,470
2020	4.0%	110,000	59,270	169,270
2021	4.0%	110,000	54,870	164,870
2022	4.0%	115,000	50,470	165,470
2023	4.0%	120,000	45,870	165,870
2024	4.0%	125,000	41,070	166,070
2025	4.0%	130,000	36,070	166,070
2026	4.125%	135,000	30,870	165,870
2027	4.125%	140,000	25,302	165,302
2028	4.125%	145,000	19,526	164,526
2029	4.3%	155,000	13,546	168,546
2030	4.3%	160,000	6,880	166,880
Total		\$2,190,000	\$973,904	\$3,163,904

## Revenue Bonds

Details of the District's June 30, 2011 Statewide Sales, Services and Use Tax Revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued May 1, 2010			
	Interest Rate	Principal	Interest	Total
2012	2.0%	\$50,000	\$63,190	\$113,190
2013	2.0%	50,000	62,190	112,190
2014	2.0%	70,000	60,990	130,990
2015	2.25%	75,000	59,446	134,446
2016	2.5%	75,000	57,665	132,665
2017	3.0%	75,000	55,603	130,603
2018	3.25%	80,000	53,177	133,177
2019	3.5%	80,000	50,478	130,478
2020	3.8%	85,000	47,462	132,462
2021	4.1%	90,000	44,048	134,048
2022	4.1%	90,000	40,402	130,402
2023	4.1%	95,000	36,610	131,610
2024	4.1%	100,000	32,612	132,612
2025	4.25%	105,000	28,331	133,331
2026	4.25%	105,000	23,869	128,869
2027	4.45%	110,000	19,190	129,190
2028	4.45%	115,000	14,184	129,184
2029	4.65%	120,000	8,835	128,835
2030	4.65%	130,000	3,023	133,023
Total		\$1,700,000	\$761,305	\$2,461,305

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,700,000 of bonds issued in May 2010. The bonds were issued for the purpose of financing a portion of the costs of the middle school addition project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,461,305. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$189,246.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$137,637 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

The District complied with all of the revenue bonds provisions during the year ended June 30, 2011.

During the year ended June 30, 2011, the District made no principal payments but paid \$128,038 in interest and fees under the agreements.

(6) **Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$123,323, \$124,629, and \$102,782, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 34 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

Annual required contribution	\$	15,556
Interest on net OPEB obligation		300
Adjustment to annual required contribution		-1,213
Annual OPEB cost	\$	14,643
Contributions made		-3,183
Increase in net OPEB obligation	\$	11,460
Net OPEB obligation beginning of year		11,992
Net OPEB obligation end of year	\$	23,452

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$212,382 to the medical plan. Plan members eligible for benefits contributed \$4,238, or 1.9% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$14,573	17.7%	\$11,992
June 30, 2011	\$14,643	21.7%	\$23,452

**Funded Status and Funding Progress** – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$126,485, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$126,485. The covered payroll (annual payroll of active employees covered by the plan) was \$1,463,481 and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2011, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$248.44 per month for retirees less than age 65 and \$248.44 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(8) Risk Management**

Fredericksburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$117,959 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitments**

At June 30, 2011 the District has a total of \$2,018,768 in construction in process for the middle school construction project. The remaining balance of \$2,342,969 will be paid as the project is completed.

**(11) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Limited English Proficiency	\$ 5,804
At Risk	2,440
Gifted and Talented Programs	6,893
Dropout Prevention	97,298
Beginning Teacher Mentoring	735
Teacher Salary Supplement	18,292
Core Curriculum	9,206
Professional Development	16,618
Market Factor (08)	907
Foster Care	1,250
Preschool	5,978
Non Public Transportation	424
Market Factor (09)	2,078
Total	<u>\$ 167,923</u>

**(12) Subsequent Events**

The District has evaluated subsequent events through February 22, 2012 which is the date that the financial statements were available to be issued.

**(13) Prior Period Adjustment**

The General Fund had a prior period adjustment of \$4,733.

**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 4,487,442	\$ 407,074
Change in fund type classification per implementation of GASB Statement No. 54	407,074	-407,074
Balances July 1, 2010, as restated	<u>\$ 4,894,516</u>	<u>\$ -</u>



### **Required Supplementary Information**

**Fredericksburg Community School District**

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2011**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 2,581,765	\$ 85,017	\$ 2,666,782
Intermediate sources	-	-	-
State sources	1,240,284	1,508	1,241,792
Federal sources	164,973	73,664	238,637
Total Revenues	\$ 3,987,022	\$ 160,189	\$ 4,147,211
Expenditures:			
Instruction	\$ 2,757,914	\$ -	\$ 2,757,914
Support services	1,126,589	-	1,126,589
Non-instructional programs	-	147,915	147,915
Other expenditures	2,326,285	-	2,326,285
Total Expenditures	\$ 6,210,788	\$ 147,915	\$ 6,358,703
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	\$ -2,223,766	\$ 12,274	\$ -2,211,492
Other financing sources-net	709	-	709
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing uses	\$ -2,223,057	\$ 12,274	\$ -2,210,783
Balance Beginning of Year	\$ 6,549,664	\$ 48,736	\$ 6,598,400
Prior period adjustment	-4,733	-	-4,733
Adjusted Balance beginning of year	\$ 6,544,931	\$ 48,736	\$ 6,593,667
Balances End of Year	\$ 4,321,874	\$ 61,010	\$ 4,382,884

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance	
\$	2,923,336	\$	-256,554
	-		-
	1,600,242		-358,450
	205,000		33,637
\$	4,728,578	\$	-581,367
\$	3,047,910	\$	289,996
	1,348,400		221,811
	185,000		37,085
	4,503,817		2,177,532
\$	9,085,127	\$	2,726,434
\$	-4,356,549	\$	2,145,057
	-		709
\$	-4,356,549	\$	2,145,766
\$	6,788,762	\$	-190,362
	-		-4,733
\$	6,788,762	\$	-195,095
\$	2,432,213	\$	1,950,671

**Fredericksburg Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2011**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

**Fredericksburg Community School District**

**Schedule of Funding Progress for the  
Retiree Health Plan**

**Required Supplementary Information**

**June 30, 2011**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$126,485	\$126,485	0.0%	\$1,410,046	8.9%
2011	July 1, 2009	-	\$126,485	\$126,485	0.0%	\$1,463,481	8.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **Other Supplementary Information**

## Fredericksburg Community School District

Combining Balance Sheet  
Non-Major Funds

June 30, 2011

## Special Revenue

	Management Levy	Student Activity	Debt Service	Total
<b>Assets</b>				
Cash and pooled investments	\$ 278,119	\$ 113,955	\$ 262,102	\$ 654,176
Receivables:				
Property Tax:				
Delinquent	921	-	851	1,772
Succeeding year	70,000	-	168,170	238,170
<b>Total Assets</b>	<b>\$ 349,040</b>	<b>\$ 113,955</b>	<b>\$ 431,123</b>	<b>\$ 894,118</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 2,010	\$ -	\$ -	\$ 2,010
Deferred revenue:				
Succeeding year property tax	70,000	-	168,170	238,170
Other	-	-	-	-
Total Liabilities	\$ 72,010	\$ -	\$ 168,170	\$ 240,180
Fund Equity:				
Restricted for:				
Management levy purposes	\$ 277,030	\$ -	\$ -	\$ 277,030
Student activities	-	113,955	-	113,955
Debt service - sinking	-	-	139,716	139,716
Debt service	-	-	123,237	123,237
Total Fund Balance	\$ 277,030	\$ 113,955	\$ 262,953	\$ 653,938
<b>Total Liabilities and Fund Balances</b>	<b>\$ 349,040</b>	<b>\$ 113,955</b>	<b>\$ 431,123</b>	<b>\$ 894,118</b>

See accompanying independent auditor's report.

**Fredericksburg Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Funds**

**Year Ended June 30, 2011**

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenues:				
Local Sources:				
Local tax	\$ 89,998	\$ -	\$ 83,169	\$ 173,167
Other	5,631	73,781	2,869	82,281
State sources	60	-	56	116
Total Revenues	\$ 95,689	\$ 73,781	\$ 86,094	\$ 255,564
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 42,219	\$ -	\$ -	\$ 42,219
Other instruction	-	57,868	-	57,868
Support Services:				
Administration	33,149	-	-	33,149
Operation and maintenance of plant	20,934	-	-	20,934
Transportation	8,942	-	-	8,942
Other Expenditures:				
Interest and fees	-	-	128,030	128,030
Total Expenditures	\$ 105,244	\$ 57,868	\$ 128,030	\$ 291,142
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -9,555	\$ 15,913	\$ -41,936	\$ -35,578
Other financing sources (uses):				
Operating transfer in	\$ -	\$ -	\$ 165,165	\$ 165,165
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -9,555	\$ 15,913	\$ 123,229	\$ 129,587
Fund balances beginning of year, as restated	286,585	98,042	139,724	524,351
Fund Balances end of year	\$ 277,030	\$ 113,955	\$ 262,953	\$ 653,938

See accompanying independent auditor's report.



## Fredericksburg Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 735,180	\$ 424,430	\$ 2,112,597	\$ 3,272,207
Receivables:				
Property Tax:				
Delinquent	-	684	-	684
Succeeding year	-	32,790	-	32,790
Due from other governments	33,165	64,647	-	97,812
<b>Total Assets</b>	<b>\$ 768,345</b>	<b>\$ 522,551</b>	<b>\$ 2,112,597</b>	<b>\$ 3,403,493</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 393,605	\$ 393,605
Deferred revenue:				
Succeeding year property tax	-	32,790	-	32,790
Other	-	64,647	-	64,647
Total Liabilities	\$ -	\$ 97,437	\$ 393,605	\$ 491,042
Fund Balances:				
Restricted for:				
School infrastructure	\$ 768,345	\$ -	\$ 1,718,992	\$ 2,487,337
Physical plant and equipment	-	425,114	-	425,114
Total fund balances	\$ 768,345	\$ 425,114	\$ 1,718,992	\$ 2,912,451
<b>Total Liabilities and Fund Balances</b>	<b>\$ 768,345</b>	<b>\$ 522,551</b>	<b>\$ 2,112,597</b>	<b>\$ 3,403,493</b>

See accompanying independent auditor's report.

**Fredericksburg Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Capital Project Accounts**

**Year Ended June 30, 2011**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ 189,246	\$ 124,276	\$ -	\$ 313,522
Other	4,911	3,386	14,824	23,121
State sources	-	43	-	43
<b>Total Revenues</b>	<b>\$ 194,157</b>	<b>\$ 127,705</b>	<b>\$ 14,824</b>	<b>\$ 336,686</b>
<b>Expenditures:</b>				
Support Services:				
Transportation	\$ -	\$ 73,864	\$ -	\$ 73,864
Other Expenditures:				
Facilities acquisition	118,367	35,801	1,924,413	2,078,581
Long Term Debt:				
Interest and fiscal charges	-	-	1,715	1,715
<b>Total Expenditures</b>	<b>\$ 118,367</b>	<b>\$ 109,665</b>	<b>\$ 1,926,128</b>	<b>\$ 2,154,160</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 75,790</b>	<b>\$ 18,040</b>	<b>\$ -1,911,304</b>	<b>\$ -1,817,474</b>
<b>Other Financing Sources (Uses):</b>				
Sale of assets	\$ -	\$ -	\$ 574	\$ 574
Operating transfers out	-165,165	-	-	-165,165
<b>Total other financing sources (uses)</b>	<b>\$ -165,165</b>	<b>\$ -</b>	<b>\$ 574</b>	<b>\$ -164,591</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -89,375</b>	<b>\$ 18,040</b>	<b>\$ -1,910,730</b>	<b>\$ -1,982,065</b>
<b>Fund balances beginning of year, as restated</b>	<b>857,720</b>	<b>407,074</b>	<b>3,629,722</b>	<b>4,894,516</b>
<b>Fund Balances End of Year</b>	<b>\$ 768,345</b>	<b>\$ 425,114</b>	<b>\$ 1,718,992</b>	<b>\$ 2,912,451</b>

See accompanying independent auditor's report.

## Fredericksburg Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Book orders	\$ -	\$ 35	\$ 35	\$ -
Athletics	49,274	27,546	20,340	56,480
Cheerleaders	627	-	-	627
Music	6,632	7,876	4,718	9,790
Student Council	334	-	-	334
FHA – HERO Club	388	-	-	388
Art Club	139	-	60	79
Science Club	490	-	490	-
Drama Club	64	-	-	64
Snack – activity	3,352	10,069	8,854	4,567
School annual	637	-	-	637
Pictures	2,788	-505	-	2,283
Flowers and pop	1,627	1,204	1,127	1,704
Book Fair	50	2,825	2,830	45
Resale computer supplies	68	-	-	68
Interest	1,521	1,138	160	2,499
Gym rent	-325	900	575	-
Jump Rope for Heart	42	1,542	1,542	42
Miscellaneous – juice machine	6,651	-3,309	1,046	2,296
Falcon Friends	105	70	-	175
Field trip	1,854	-	-	1,854
Elementary	2,131	1,600	2,611	1,120
Friends of the Falcon Nest	17,661	22,740	13,480	26,921
School store – ELP	99	50	-	149
Milk machine	918	-	-	918
OM Team	879	-	-	879
RIF - Activity	36	-	-	36
Total	\$ 98,042	\$ 73,781	\$ 57,868	\$ 113,955

See accompanying independent auditor's report.

**Fredericksburg Community School District**

**Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds**

**For the Last Eight Years**

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local tax	\$ 1,508,222	\$ 1,438,578	\$ 1,588,031	\$ 1,543,440
Tuition	652,643	621,334	654,237	749,798
Other	420,900	573,860	663,199	627,353
State sources	1,240,284	1,089,861	1,342,794	1,299,832
Federal sources	164,973	274,432	134,950	102,689
Total	<u>\$ 3,987,022</u>	<u>\$ 3,998,065</u>	<u>\$ 4,383,211</u>	<u>\$ 4,323,112</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,069,796	\$ 1,923,719	\$ 1,900,282	\$ 1,945,079
Special instruction	390,601	408,098	444,464	353,162
Other instruction	297,517	264,398	285,705	268,159
Support services:				
Student services	93,100	82,125	79,767	91,705
Instructional staff services	82,074	104,329	105,262	97,112
Administrative services	463,912	412,728	413,037	396,572
Operation and maintenance of plant services	240,667	227,570	259,067	249,156
Transportation services	246,836	207,383	210,953	184,771
Central support services	-	-	-	-
Other expenditures:				
Facilities acquisition	2,078,581	164,002	53,591	69,356
Long-term debt:				
Principal	-	-	105,000	105,000
Interest and other charges	129,745	93,167	4,075	7,225
AEA flow-through	117,959	116,361	107,518	106,867
Total	<u>\$ 6,210,788</u>	<u>\$ 4,003,880</u>	<u>\$ 3,968,721</u>	<u>\$ 3,874,164</u>

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
\$ 1,491,417	\$ 1,483,959	\$ 1,432,914	\$ 1,391,507
752,551	1,103,150	977,609	151,500
702,997	166,874	252,730	182,412
1,212,974	1,169,719	1,208,715	1,227,694
115,484	82,295	131,631	54,895
\$ 4,275,423	\$ 4,005,997	\$ 4,003,599	3,008,008

\$ 1,947,026	\$ 1,893,862	\$ 1,872,978	\$ 1,146,872
369,818	327,348	395,636	305,979
285,298	204,123	223,023	265,840
94,978	64,465	58,176	78,900
45,177	49,158	57,276	54,419
432,958	525,125	380,874	391,050
239,558	307,109	329,201	224,243
238,656	107,322	94,491	71,067
-	18,366	17,820	16,362
149,204	96,390	25,344	107,757
100,000	100,000	100,000	590,000
10,225	12,725	14,725	36,006
104,285	100,271	101,118	103,540
\$ 4,017,183	\$ 3,806,264	\$ 3,670,662	3,392,035

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fredericksburg Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 22, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Fredericksburg Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fredericksburg Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Fredericksburg Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

### Compliance and Other Matters

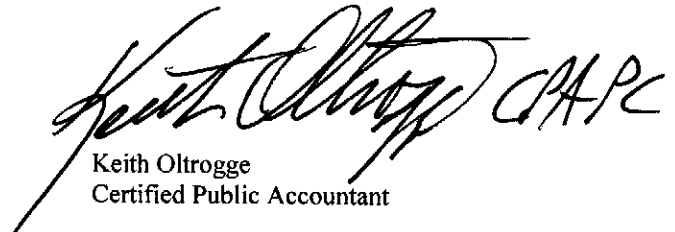
As part of obtaining reasonable assurance about whether Fredericksburg Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fredericksburg Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Fredericksburg Community School District's responses, and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fredericksburg Community School District and other parties to whom Fredericksburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Fredericksburg Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

February 22, 2012



Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2011

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

- I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts and disbursements, and preparation of the bank reconciliation are all done by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and make changes to improve internal control where possible.

Conclusion – Response accepted.

- I-B-11 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2011

**Part II - Other Findings Related to Statutory Reporting:**

II-A-11 Certified Budget – Disbursements for the year ended June 30, 2011 did not exceed the certified budget amounts.

II-B-11 Questionable Expenditures – No expenditures, I believe, may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
NE Iowa Roof Consulting Steven Crawford – employee	Consulting	\$845

In accordance with an Attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-11 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings with all disbursements to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

**Fredericksburg Community School District**

**Schedule of Findings**

**Year Ended June 30, 2011**

**Part II - Other Findings Related to Statutory Reporting (continued):**

II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	857,720
Revenues/transfers in:			
Sales tax revenues	\$	189,246	
Other local revenues		4,911	194,157
		\$	<u>1,051,877</u>
Expenditures/transfers out:			
School infrastructure construction	\$	118,368	
Transfers to other funds:			
Debt service fund		165,165	283,533
			<u>283,533</u>
Ending balance		\$	<u>768,344</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.13916	\$ 189,246
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-